UNITED
NATIONS

A

General Assembly

Distr.
GENERAL

A/CONF/147/PC/3/Add.10
TD/B/AC.17/31/Add.10
14 March 1990

Original: ENGLISH

TRADE AND DEVELOPMENT BOARD

Intergovernmental Group on the
Least Developed Countries
Seventh session
(Preparatory Committee for the
Second United Nations Conference
on the Least Developed Countries)
Geneva, 26 March 1990

SECOND UNITED NATIONS CONFERENCE ON THE LEAST DEVELOPED COUNTRIES:

Preparatory process for the Conference

REPORT OF THE INTERGOVERNMENTAL MEETING ON THE ESCAP LEAST DEVELOPED COUNTRIES IN PREPARATION FOR THE UNITED NATIONS CONFERENCE ON THE LEAST DEVELOPED COUNTRIES

Contribution by the Economic and Social Commission
for Asia and the Pacific (ESCAP) */

*/ This document has been reproduced as received and in the languages of submission only.

GE.90-50690/5755A

FOR PARTICIPANTS ONLY

DP/IMLDC/Rep.
1 March 1990

ORIGINAL: ENGLISH

ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC

REPORT OF THE INTERGOVERNMENTAL MEETING ON THE ESCAP LEAST DEVELOPED COUNTRIES IN PREPARATION FOR THE UNITED NATIONS CONFERENCE ON THE LEAST DEVELOPED COUNTRIES

Bangkok, 19-23 February 1990

0068d

READEX FICHE

CONTENTS

		Page
I.	ORGANIZATION OF THE MEETING	1
II.	SUMMARY OF THE GENERAL DISCUSSIONS	4
III.	CONCLUSIONS AND RECOMMENDATIONS	9
	Introduction	9
	A. Creating a supporting policy environment for renewed development of the least developed countries in the 1990s	10
	B. Stimulating growth, meeting basic needs and promoting human resources development	15
	C. Increasing trade and transfer of resources	19
	D. Environment and geographical constraints	22
	E. Arrangements for review and monitoring	23
IV.	ADOPTION OF THE REPORT	24

I. ORGANIZATION OF THE MEETING

1. The Intergovernmental Meeting on the ESCAP Least Developed Countries in Preparation for the United Nations Conference on the Least Developed Countries was held at Bangkok from 19 to 23 February 1990.

2. The Meeting was attended by representatives of the following members and associate members: Afghanistan, Australia, Bangladesh, Bhutan, China, France, India, Indonesia, Iran (Islamic Republic of), Japan, Kiribati, Lao People's Democratic Republic, Maldives, Myanmar, Nepal, Netherlands, Pakistan, Philippines, Republic of Korea, Samoa, Thailand, Tuvalu, Union of Soviet Socialist Republics, United States of America, and Vanuatu.

3. Representatives of the following United Nations bodies and specialized agencies attended the Meeting: United Nations Conference on Trade and Development, United Nations Development Programme, International Labour Organisation, Food and Agriculture Organization of the United Nations, World Health Organization, the World Bank, and the Asian Development Bank.

Opening of the Meeting

4. His Excellency Mr. Chuan Leekpai, Deputy Prime Minister, Royal Thai Government, inaugurated the Meeting. He noted the initiative taken by ESCAP in organizing the Intergovernmental Meeting as part of the preparation for the United Nations Conference on the Least Developed Countries to be held in Paris in September 1990. The Conference would take stock of the developments over the past decade as well as agree on new concerted action to accelerate the development process of the countries concerned. Not long ago, Thailand had been treading a path similar to that followed by the least developed countries. However, through its own endeavours, supplemented by bilateral and international assistance and co-operation, Thailand had been able to diversify its economy from a traditionally agrarian-based to an increasingly industrialized economy. Having grown up in an interdependent world, Thailand therefore attached great importance to the principle of international co-operation. Although still a recipient country, Thailand had striven in the past decade to render assistance to other developing countries, including least developed countries, through its Thai International Co-operation Programme (previously known as the Thai Aid Programme), Tripartite Co-operation Plan and Food Aid Programme.

/5.

5. The Deputy Prime Minister expressed the hope that the Inter-governmental Meeting would be constructive in promoting further co-operation for a better world, in which, by the end of the decade, the term "least developed countries" would appear only in the history books.

6. The Executive Secretary of ESCAP, in his opening statement, which was read by the Deputy Executive Secretary, noted with concern that the performance of the least developed countries of the ESCAP region fell far short of reflecting the dynamism associated with the Asian and Pacific developing region as a whole The reasons for that disparity were not lack of effort on the part of the region's least developed countries but the much more difficult conditions and constraints faced by them. The problems were much more structural in nature and were often beyond the traditional remedies of fiscal, monetary and price reforms, which many of the least developed countries had undertaken in good measure. In many of those countries, the expenditure on social services had been severely cut back, school enrolment at both primary and post-primary levels was showing decline or stagnation, while nutrition, especially of women and children, remained inadequate and mortality rates high. As a result, the neglect of the human aspect of development was a cause for much greater concern than even the low investment rates in physical capital, which were often maintained at the expense of depletion in human capital.

7. The environmental problems faced by the least developed countries were enormous and had as yet received inadequate attention by the policy makers in the least developed countries, who were preoccupied in dealing with problems of short-term economic management. Population pressure on land was denuding the already inadequate forest cover and increasing the hazards of desertification, while soil fertility was being eroded by inappropriate farming practices. With primary commodities as their main exports, many least developed countries had to resort to increasing exploitation of their natural resources to maintain their foreign exchange earnings in the face of falling commodity prices and rising agricultural protectionism. Added to those were the threats of global warming and the greenhouse effect, which, according to some forecasts, endangered the very existence of some of the least developed countries of the region. While many of the concerns relating to the environment could be dealt with by national efforts, in order to strike a better balance between population and natural resources and to minimize the effects of natural disasters, dealing

/with

with many other concerns, such as those relating to improvement in commodity prices, rising sea level, water sharing and flood control, would require sustained efforts at the regional and international levels.

8. The Executive Secretary felt that there was a need to discern the shape of the challenges ahead and to contribute to the formulation of the strategies to be pursued to meet those challenges in the 1990s with the combined efforts of the region's least developed countries and the world community, including the resurgent developing countries of the ESCAP region. Therefore there was a need for reorientation of development strategies and a reassessment of the resources required to ensure economically efficient, socially just and environmentally sound growth in the least developed countries.

9. In view of the inadequate resource inflows to the least developed countries in the 1980s, the Executive Secretary called for a reappraisal of the foreign aid policies pursued in the 1980s and a renewed commitment to a substantive increase in net official development assistance flows in real terms to the least developed countries; there should be greater emphasis on improved modalities and co-ordination, and their use in areas such as physical infrastructure, education, health, poverty alleviation and environmental protection. The enhancement of such flows would also facilitate the inflow of foreign direct investment, which would in turn facilitate technology transfer and industrial restructuring. The least developed countries would also require major assistance in the critical areas of debt relief and market access for their exports, as well as technology transfers and other needed technical assistance. In order to raise their creditworthiness and be in a position to repay their outstanding debt, the least developed countries should have greater market access. That would be of particular significance in the context of the emerging trading blocs which were taking shape, for example in Europe and North America.

10. Increasing attention also needed to be paid to the problems of greater efficiency in resource use, development of human resources and capabilities and the preservation and conservation of the environment and natural resources. The Executive Secretary further recognized that regional co-operation efforts could also play an effective role in the regeneration of the least developed economies of the region within the context of economic and technical co-operation among developing countries.

/Election

Election of officers

11. The Meeting elected Mr. Anwarul Karim Chowdhury (Bangladesh) as Chairman, Mr. Yang Guanqun (China), Mr. Baraniko Baaro (Kiribati) and Mr. Kenji Shimizu (Japan) as Vice-Chairmen. Ms. Noumea Simi (Samoa) was elected Rapporteur.

12. The Meeting adopted the following agenda:

1. Opening of the Meeting.
2. Election of officers.
3. Adoption of the agenda.
4. Report of the Expert Group Meeting in Preparation for the United Nations Conference on the Least Developed Countries, Bangkok, 9-13 October 1989.
5. Recommendations for appropriate national and international policies and measures for implementation to accelerate the development process in the least developed countries in the 1990s.
6. Other matters.
7. Adoption of the report.

II. SUMMARY OF THE GENERAL DISCUSSIONS

13. The Meeting appreciated the quality of the various documents commissioned and prepared by the secretariat. A number of specific comments were made on various documents. With regard to document DP/IMLDC/2, the concerned delegations stated their countries' respective positions which were duly recorded by the secretariat which assured the Meeting that those would be appropriately reflected when the final versions of the documents were issued. The Meeting also commended the useful contribution to its deliberations made by the report of the Expert Group Meeting in Preparation for the United Nations Conference on the Least Developed Countries held at Bangkok from 9 to 13 October 1989. In his opening remarks, the Chairman emphasized the importance of the current Meeting as a substantial input into the collective intergovernmental preparations for the forthcoming Conference.

14. The Meeting recalled the high expectations aroused at the time of the adoption of the Substantial New Programme of Action for the 1980s for the Least Developed Countries by the first United Nations Conference on the

Least Developed Countries, held in Paris in 1981, especially among the least developed countries, including those belonging to the Asian and Pacific region, whose number had risen from 7 to 11 during the decade. Unfortunately, it had not been possible to achieve the main objectives of the Programme as the 1980s had proved to be an unpropitious decade for the development of most developing countries, so that a renewed programme of action for the 1990s was called for.

15. The Meeting recognized that owing to structural weaknesses, which were exacerbated by natural disasters, the least developed countries of the region were unable to share the general dynamism that characterized the Asian and Pacific developing countries. They therefore required new approaches and initiatives for sustained social and economic development. Among the 11 least developed countries, 9 suffered from isolation and from being land-locked - imposed by remoteness and geography - which compounded their economic difficulties significantly. The representatives of the island and land-locked least developed countries of the region gave the Meeting a vivid account of the extraordinary difficulties faced by those countries. They drew attention especially to the impact of geography and remoteness on their fragile economies. The reduction in their isolation, and their integration with the world economy, remained major challenges for their development in the 1990s.

16. The Meeting viewed with deep concern the poor growth performance of the least developed countries in the region, which were constrained by very difficult and fast-changing internal and external conditions. Only one of the least developed countries had succeeded in achieving the 7.2 per cent annual gross domestic product growth target envisaged in the Substantial New Programme of Action. The subregion as a whole had failed to maintain the level of growth achieved during the 1970s. More alarmingly, many of the least developed countries, including those in the Pacific subregion, had suffered a decline in per capita income during the 1980s, resulting in a reduction in the average standard of living for their people.

17. The Meeting expressed disappointment at the failure of the Substantial New Programme of Action to improve the quality of life and satisfy the basic needs of the people in the region's least developed countries. The problems of poverty, illiteracy, malnutrition and urban congestion remained as intractable as ever, sapping national efforts at achieving accelerated growth and development.

/18.

18. The Meeting noted that with poor growth performance and an unfavourable external environment, the least developed countries were not able to achieve significant structural change or diversification. Agriculture, which contributed between one third and two fifths of gross domestic product, remained narrowly based, providing employment and income to most of the working population. The low level of productivity in agriculture and the susceptibility of its output to unfavourable weather conditions rendered its contribution to gross domestic product both insufficient and uncertain. Despite significant investments in the agricultural sector, the aim of achieving food security remained elusive and per capita food production either stagnated or declined. Food grain imports had increased sharply in many countries, while others had experienced a rapid contraction in their grain surplus. Intensified efforts in the field of family planning would have improved prospects for agricultural development.

19. The Meeting further noted that industrial progress in most of the region's least developed countries was equally slow. Despite commendable efforts, a small range of manufacturing activities, confined to the processing of local raw materials, dominated the industrial sector, whose growth was constrained by the small size of domestic markets, restricted access to export markets, low capacity utilization, scarcity of fixed and working capital, slow technical progress, and a general shortage of managerial, technical and entrepreneurial skills. A growing scarcity of foreign exchange forced many countries to compress the import of vital industrial raw materials and capital goods, adversely affecting the pace and structure of their industrial development.

20. The Meeting noted with concern the serious difficulties faced by the least developed countries in achieving a more diversified and stable export base. Relying on the export of a small range of primary commodities and processed manufactures, the least developed countries' share of world trade remained negligible. In the face of rising prices for imports and exchange rate depreciation, weak international prices for their commodity exports had induced a decline in their terms of trade.

21. The Meeting noted that protectionist barriers were not conducive to production for the export market and they were neither a viable nor a sustainable option for the majority of the least developed countries. The Meeting urged that during the Uruguay Round of multilateral trade negotiations further efforts be made to reduce those barriers in ways which

/would

would help the least developed countries to diversify their exports. While there was a continuing need on the part of the least developed countries to follow closely the changing patterns of demand in export markets and improve the processing, marketing, distribution and competitiveness of commodity exports, most attempts at diversifying into non-traditional export items, such as garments, shoes and processed agricultural products, encountered tariff and non-tariff barriers in developed country markets. Since those activities were basically labour-intensive, such restrictive measures prevented the least developed countries from pursuing one of the most effective ways of ensuring equitable development. The Meeting strongly felt that the international trading system must remain open and fair, and comply with the rules and regulations enshrined in the General Agreement on Tariffs and Trade (GATT).

22. While noting the efforts of the international community, the Meeting expressed disappointment about the non-achievement of the target set in the Substantial New Programme of Action for official development assistance, whose level was only .09 per cent of the combined gross national product of Development Assistance Committee (DAC) countries instead of the 0.15 per cent envisaged in the Programme, although for a number of DAC countries either official development assistance had exceeded 0.15 per cent of gross national product or the amount had doubled over the period.[1/] Although significant advances had been made in providing international assistance in the forms of transfer of resources on highly concessional terms, technical assistance, transfer of technology and commercial policy measures, those fell far short of the development requirements of the region's least developed countries. The Meeting also noted that the effectiveness of international assistance programmes tended to be jeopardized when aid was tied, projects were over-designed and the technologies embodied in assisted projects were not appropriate. The Meeting accordingly emphasized the need for substantial increase in official development assistance, in real terms, and further improvement in the modalities for resource transfer to the least developed countries, in the 1990s. Concurrently, there would be a need to further strengthen efforts for domestic resource mobilization by most of the least developed counties.

/23.

1/ One delegation expressed its known position with regard to the Substantial New Programme of Action target on official development assistance flows.

23. The Meeting noted with concern the rising debt burden of the least developed countries. In some instances, accumulated debt almost equalled or surpassed the gross domestic product of those countries. The ability of several least developed countries to service their debt also came under great strain as an increasing proportion of their export earnings and newly contracted external assistance had to be used to pay off maturing debts.

24. The Meeting noted that the least developed countries were keen to benefit from regional co-operation through increased trade and investment. It recognized that economic and technical co-operation among the countries of the region played an important role by providing the least developed countries with opportunities for development through growing links with other developed and developing countries. In that regard, it noted with appreciation the technical assistance provided by China, India, Indonesia, the Philippines, the Republic of Korea and Thailand to the least developed countries of the region within the framework of economic and technical co-operation among developing countries.

25. The Meeting took note of the Dhaka Declaration and its annexed Dhaka Document adopted by the Ministers of the Least Developed Countries at their meeting held at Dhaka from 10 to 12 February 1990. In the Declaration the Ministers had undertaken a comprehensive assessment of the socio-economic trends in the least developed countries during the past decade and the overall requirements of those countries for the 1990s, with a view to formulating concrete measures for implementation at the national and international levels. The Declaration also constituted the common position of least developed countries on the issues to be addressed by the second United Nations Conference on the Least Developed Countries.

26. The Meeting expressed extreme anxiety over the deteriorating state of the natural environment in the region's least developed countries. Rising population, increasing poverty, indiscriminate exploitation of natural resources to meet ever-growing foreign exchange requirements, inappropriate farming practices and a general lack of awareness of environmental issues had led to widespread environmental degradation in the form of soil erosion, water pollution, deforestation and global warming.

27. The Meeting noted with satisfaction the very important and far-reaching policy reforms introduced by the least developed countries in order to achieve economic resilience. In that regard, the Meeting recognized the

/continuing

continuing need to adopt flexible, consistent and coherent policies to foster growth and equitable development. The Meeting was satisfied that both private and public sectors played an important role in the development process, the balance between which was a matter a country would have to decide for itself.

28. The representative of the United Nations Conference on Trade and Development informed the Meeting about the preparatory work being carried out in connection with the organization of the United Nations Conference on the Least Developed Countries, to be held in Paris from 3 to 14 September 1990. The representative of the United Nations Development Programme stated that in its regional assistance programme, the special needs of the least developed countries had received priority attention. The Asian Development Bank and the World Bank also informed the Meeting that their organizations accorded special attention to the needs of the least developed countries in their assistance programmes. The Meeting noted with appreciation the information provided by the Co-ordinator of the Government of France regarding the preparations being made by his Government for the 1990 United Nations Conference on the Least Developed Countries.

III. CONCLUSIONS AND RECOMMENDATIONS

Introduction

29. The Meeting recognized that the development of the least developed countries was a difficult, complex and multi-faceted problem, with structural characteristics that were substantially different from those facing other developing countries. Nevertheless, it was convinced that a concerted effort, in which the least developed countries themselves would play the primary role but with significantly enhanced support from the international community, could transform the bleak, depressing image of the past into a bright, hopeful vision of the future for those countries. To be credible, that vision would have to be backed up by serious, unrelenting efforts to achieve definite, identifiable, regularly monitored and periodically reassessed goals on the basic issues facing the least developed countries.

30. The Meeting felt that its recommendations should concentrate with particular focus on all least developed countries of the ESCAP region. It thus did not aim at comprehensiveness, but focused on strategic issues which had proved intractable in the past or were likely to emerge and persist in

the future. That did not mean that other issues on which specific recommendations were not being made were unimportant or insignificant. The Meeting hoped that since UNCTAD, regional commissions and all other organs, organizations and bodies of the United Nations system concerned would be contributing their inputs to the seventh session of the Intergovernmental Group on the Least Developed Countries (Preparatory Committee for the second United Nations Conference on the Least Developed Countries), all issues would have received due consideration in the preparatory process for the second United Nations Conference on the Least Developed Countries to be held in Paris.

31. The Meeting welcomed the Dhaka Declaration and the annexed Dhaka Document and took those into full account in the formulation of its policy recommendations and conclusions. It also recognized that those documents would provide a valuable and positive input into the substantive preparation for the Paris Conference.

A. Creating a supportive policy environment for renewed development of the least developed countries in the 1990s

32. While the problems facing the least developed countries were deep-seated, structural and heavily overlaid by physical and geographical constraints, they were by no means insurmountable. However, their solution did require a concerted effort to create a supportive policy environment at national, regional and international levels. The creation of such a supportive policy environment was a basic prerequisite for any sustainable development effort in those countries.

33. It was also important to point out that those efforts at various levels would have to be mutually reinforcing in order to sustain their momentum. For example, national efforts towards macro-economic policy reform unaccompanied by supportive international action to promote capital inflows and regional co-operation in promoting intraregional trade flows and transit facilities might result in large balance-of-payments deficits and inflationary pressures and thus frustrate national efforts. Similarly, international assistance should be accompanied by appropriate domestic polices to ensure its productive use.

34. In view of the above, the Meeting recommended the adoption of the following measures.

1. Changing the national economic policy environment

(a) Macro-economic policies

35. A stable macro-economic environment, which it was important to achieve through equitable and efficient fiscal, monetary and commercial regimes, was essential for sustained growth with equity in least developed economies. While much of the inflationary pressures in those economies were caused by structural bottle-necks, it was necessary to pay greater attention to improved macro-economic management and to avoid large fiscal and balance-of-payments deficits, which created unsustainable burdens for the future. Those improvements, however, should be undertaken voluntarily with some flexibility in macro-economic management, through international and regional support measures, to enable the countries to pursue their basic goals of growth and poverty alleviation.

(b) Efficiency in resource allocation and use

36. For the development of a more resilient economy, which would be a prerequisite for survival in an increasingly competitive decade, continuing efficiency in resource allocation and use would have to be emphasized. To pursue that objective, the least developed countries would have to continue their efforts to ensure better management at the public and private enterprise levels. Encouragement and acceleration of the existing trend towards decentralization, privatization and deregulation, within the feasible limits of national objectives and constraints faced by each country, would result in releasing new productive forces and entrepreneurial initiatives. At the same time, there was a need for continuing policy reforms in public enterprises to allow them greater financial autonomy and managerial discretion in investment, pricing and employment decisions.

(c) Entrepreneurial development

37. Development of entrepreneurship, an important factor in the development process, was often lacking in the least developed countries. To encourage entrepreneurship development, measures should be adopted to provide increased access to capital, technical training, and business know-how, and to foster the growth of small and medium-scale industries as many independent entrepreneurs and managers had their origin in that type of activity.

/(d)

(d) Mobilizing domestic resources

38. The need for enhanced mobilization of domestic resources would become increasingly important in the 1990s. To achieve that objective, the range and quality of financial instruments would need to be greatly diversified and financial incentives to save would have to be improved considerably. Innovative approaches to the mobilization of rural savings and the simultaneous encouragement of productive capital formation at the local level, as exemplified by the Grameen Bank in Bangladesh, should be explored. The development of capital markets should receive urgent attention in order not only to mobilize greater domestic resources but also to provide opportunities for wider equity participation and dispersal of ownership as well as for facilitating external resource inflows, which were increasingly assuming the form of non-concessional private flows, including portfolio and direct investment. In the effort to develop capital markets, appropriate measures should be adopted to discourage speculative investment in non-priority areas, without adversely affecting the mobilization of savings through worker remittances.

2. Regional co-operation

39. The increasing differentiation in economic performance and per capita incomes among the developing countries, especially those of the ESCAP region, provided considerable scope for regional co-operation to support the development of the least developed countries. The economic might of traditional developed donor countries, the dynamism of the newly industrializing economies and some of the South-East Asian economies, as well as the broad economic base of large diversified economies, could be used to develop intraregional trade, investments, technology and skill transfers to provide such support. In particular, the following measures were recommended:

(a) The flow of intraregional trade, capital and know-how within the region, which could contribute significantly to accelerating the development of the least developed countries of the ESCAP region in the next decade, should be increased;

(b) Preferential and differential treatment should be accorded to the region's least developed countries by its developed countries in their bilateral assistance programmes as well as in programmes of financial and

/technical

technical assistance channelled through multilateral agencies. Such treatment should, however, not adversely affect the region's other developing countries;

(c) Efforts should be made to improve the access of least developed country exports to markets in other developing countries (both within and outside the region) through the reduction of tariff and non-tariff barriers, as proposed under the GSTP (Global System of Trade Preferences) scheme, wherever applicable;

(d) Wherever feasible, the scope of the existing regional institutions and arrangements should be widened to cater for the special needs of the least developed countries of the region;

(e) Greater co-operation should be encouraged in managing natural resources and environmental questions, especially among neighbouring countries sharing the same water systems, mountain ranges or forest belts.

3. Need for a supportive international economic environment

40. Though the development efforts of the least developed countries themselves would be the most important element in any programme of action for the 1990s, the most important supportive contribution to such efforts would inevitably come from an improvement in the global economy. A number of recent developments in the world economy, however, had tended to involuntarily de-link the least developed economies from the world economic system and, therefore, required remedial action.

(a) Although global economic growth, especially in the developed countries, has revived in recent years, it is still relatively low to have a significant impact on the least developed countries. Slowing growth in demand in industrialized countries for some commodities produced by least developed countries, resulting from the reduction in the commodity intensity of manufactured output, new developing country entrance into the production of commodities, and rising supplies from developed countries resulting from subsidization of agriculture and adoption of new technologies, had considerably reduced the export earnings of many least developed countries. Increased growth of the world economy and suitable reduction in agricultural subsidies in developed market economies were measures that could prove supportive to the least developed countries, if their special needs were taken into account.

/(b)

(b) The overall macro-economic environment in the world economy remained subject to considerable uncertainty as large imbalances in developed economies continued, having an adverse impact on the availability and distribution of capital flows and on real interest rates. Consequently, both the availability and the cost of capital financing were affected, virtually crowding out the least developed countries from capital markets. Uncertainties in foreign exchange rates, interest rates and availability of capital made any medium-term planning extremely hazardous. Better policy co-ordination among developed market economies with a view to creating a more stable world economic environment could help the development of the least developed countries.

(c) While the least developed countries had undertaken structural adjustment programmes, both on their own and as part of policy packages designed by multilateral institutions within the framework of their structural adjustment lending programmes, sufficient account had not always been taken of the social and other non-economic costs of such programmes. Although some sensitivity on the issue had already developed, there was considerable room for putting a more recognizable human face on adjustment programmes. The blind zeal for privatization should not result in the curtailment of essential public services, such as those for education, health and housing. Adequate and timely financing by developed countries and multilateral institutions, along with a supportive external environment, were essential for enabling least developed countries to undertake structural adjustments without social costs and conflicts which were often borne by the weakest sections of the country.

(d) The risk of emergence of inward-looking trading group arrangements had the possibility of increasingly marginalizing the least developed countries with regard to the world economic system. The least developed countries were also generally too weak to take advantage of the trend towards globalization of production. There was, therefore, a need for successful completion of the Uruguay Round of multilateral trade negotiations, for the adoption of a more accommodating attitude towards the least developed countries, and for preferential treatment to be given to those countries in assistance inflow and market access.

B. Stimulating growth, meeting basic needs and promoting human resources development

41. The interrelations among those three basic issues of development strategy needed fuller recognition in the 1990s. While growth was an important objective and the failure of the Substantial New Programme of Action for the 1980s for the Least Developed Countries to achieve its growth target was grave, the inability to meet the basic needs and the poor record in human resources development were even more distressing and called for much greater attention. The view that growth was the primary goal and the other two objectives were secondary and had a uni-directional relationship with growth was flawed and had often become a self-fulfilling prophecy. Fulfilment of basic needs such as adequate nutrition, health, sanitation and housing not only were goals in themselves but also contributed significantly to productivity and growth. Similarly, human resources development, or investment in the health, nutrition and education of people, was not only an end in itself but the principal means for achieving development. At the same time, the efforts to enhance the entitlements and capabilities of people could not be undertaken without continued growth. There should, therefore, be a simultaneous, rather than sequential, effort to achieve the three basic strategic goals of development. The means of achieving them and the problems thereby encountered, however, varied considerably and required separate elaboration.

1. Stimulating growth

42. During the 1980s there had been a steady erosion of living standards in the least developed countries as a whole and only an imperceptible improvement in most of them. That situation could be reversed only by achieving considerably higher rates of growth in GDP. Some least developed countries in the ESCAP region had shown a capacity to attain or exceed the 7.2 per cent annual growth target envisaged in the Substantial New Programme of Action over limited time periods. However, their fragile economic structure could not withstand the frequent external shocks, of either a physical or a financial nature, throwing the economy into a downward spiral. Lack of resilience, rather than any inherent lack of capacity for economic management, was the root cause of their inability to attain sustained high rates of growth. It was therefore clear that efforts should be redoubled from developed and developing countries to reach the Substantial New Programme of Action target of growth of gross domestic product.

/43.

43. In order to achieve accelerated growth and self-reliance in the 1990s, a number of specific measures needed to be undertaken:

(a) Achieving economic diversification. In the uncertain economic environment likely to prevail in the 1990s, resilience and flexibility would be an imperative for survival and sustained growth for all developing countries. Success in achieving that would be directly related to the ability to diversify the economy, especially by reducing dependence on a few commodities.

(b) Increasing productivity in agriculture. Agriculture would continue to be the most important economic sector in most least developed countries, notwithstanding satisfactory growth in a number of countries. While agriculture remained crucial for providing employment and income, its importance also derived from ensuring food security to the population. Nevertheless, without a substantial rise in the productivity of agriculture, it would be impossible to sustain the increa ing requirements of a growing population and to provide surpluses for the capital formation and exports needed to generate non-agricultural employment. At the same time, while increasing agricultural production, care would have to be taken to ensure that minimum damage was done to the environment, by avoiding an increase in area under cultivation, deforestation or overuse of chemicals.

In addition, a number of specific measures would have to be undertaken to raise agricultural productivity:

(i) Identification, development and dissemination of new agricultural technologies;

(ii) Improvements in the security of land tenure and the creation of environmental awareness and responsibility;

(iii) Development of rural infrastructure, including irrigation facilities;

(iv) Encouragement for the formation of decentralized decision-making institutions with effective participation of the rural poor.

(c) Accelerating industrial growth. Industrial growth remained at very low levels in most least developed countries and needed to be accelerated considerably. A basic constraint facing industrial development was the small size of the market in many least developed countries. A strategy of promoting complementary, simultaneous development of industry

/and

and agriculture could help overcome both purchasing power and input supply constraints. Increased efforts to penetrate the markets of neighbouring developing and developed countries, with the co-operation of the latter, could also help overcome market size constraints. Development of small-scale industries and encouragement of the private sector should form important elements in a policy package to accelerate industrial growth.

(d) Unlocking mineral wealth. Many least developed countries had not yet been able to fully explore, much less exploit, their mineral resources, either underground or offshore, largely owing to lack of resources and structural handicaps. To unlock those resources, they needed the development of human resources and technological skills, as well as large initial investments. Timely international assistance and regional co-operation to overcome those handicaps could greatly facilitate the tasks, as well as the careful assessment of the cultural and environmental impact.

(e) Developing the service sector. The development of the service sector, especially in the areas of tourism, banking, insurance and shipping, had great potential as a source of accelerating growth, increasing employment and augmenting foreign exchange earnings. However, it also required considerable infrastructural investment. With regard to tourism, concerns about environmental impact and adverse effects on local culture and traditions should be taken into account.

(f) Reducing the technological gap. To transform their economies rapidly, the least developed countries would need to pay more attention to the development and adaptation of technologies suited to their natural endowment, environment and human resources development capabilities. The adoption of information and bio-technologies should be given particular attention for raising the output of the service and agricultural sectors.

2. Meeting basic human needs

44. The failure to achieve growth targets under the Substantial New Programme of Action, was accentuated by the concomitant deterioration in the quality of life, as indicated, by certain social indicators, despite the serious efforts made by the least developed countries in that regard. It was therefore imperative that the goal of meeting the basic human needs be met explicitly through the provision of health, education, minimum nutritional standards, shelter, clothing and access to safe drinking water. The goal, however, could not be met by increasing only the output of goods and services required to meet them, but by increasing the access of people to those services on a sustained basis.

45. The following were some of the measures required to ensure the objective:

(a) Explicit consideration of removing poverty and promoting equity should be given in the orientation and design of development policies, programmes and projects, along with specific programmes of poverty alleviation and employment generation.

(b) The establishment of public services should be subject to the criteria, among others, of the affordability and accessibility for broad masses of the population, especially the poor.

(c) Government development expenditure should be increased on projects such as rural infrastructure, including rural roads, small-scale irrigation, water and sanitation facilities in rural and low-income urban areas, and public transport and low-income housing that were likely to benefit the poor.

(d) Affordable quality health services for all, particularly family planning and preventive services, should receive priority.

(e) Structural adjustment packages should ensure that public expenditure on and imports for meeting basic needs were not adversely affected.

3. Investing in human resources development

46. There was an urgent need to make increased investment in human resources development by making people the focus of all development activities. In that way, the least developed countries would be able to utilize one of their most important resources. Policies and programmes were urgently needed to increase investment in health, education and skills-development and protect the human resources base from unwarranted disparities in income.

47. The thrust in human resources development should complement that on meeting basic needs and should concentrate on access to and improvements in a wide range of educational and skills-development activities. In particular:

(a) Raising literacy levels and increasing primary school enrolments should be a basic objective in all least developed countries, with special attention paid to raising female literacy rates and enrolment levels and innovative efforts to removing impediments in the way of poor children attending schools, such as school lunch and milk programmes;

/(b)

(b) Strategies should give priority to reversing declines in the quality of education at all levels;

(c) Educational development should be pursued flexibly and should take advantage of revolutionary advances in communications and information technologies;

(d) Regional co-operation by exchange of students, academics, scientists and technologists should be promoted;

(e) Given the high share of current outlays in educational expenditure, especially in primary education, donors were urged to help finance recurrent local costs in priority projects.

C. Increasing trade and transfer of resources

1. Increasing trade flows

48. Foreign trade could be an important catalyst for stimulating growth, attracting capital flows and facilitating technological transfer. However, the currently undiversified economies of the least developed countries were not well placed to take advantage of the increasing possibilities of growth and structural transformation that international trade could provide. In order to enable the least developed countries to take better advantage of growth in world trade, a number of measures, in addition to the diversification of their economies, as discussed in section B above, needed to be undertaken:

(a) Processing, marketing, distribution and competitiveness of primary commodity exports needed to be improved. In the case of the Pacific least developed countries, which depended on a few agricultural and semi-processed products, steps should be taken to replace senile plantations, remove management weaknesses and provide greater technical assistance. There was a need to stabilize the prices of primary products and strengthen and expand measures such as STABEX (System of stabilization of export earnings) and the Compensatory Financing Facility to smooth out the fluctuations suffered by the least developed countries in their export earnings.

(b) In conjunction with their efforts to diversify their economies, the least developed countries should undertake production for export and replace imports in an efficient manner.

/(c)

(c) The least developed countries should constantly assess the changes in demand patterns in the importing markets and endeavour to modify their exports by suitable changes in quantities, design, packaging and marketing products. The International Trade Centre UNCTAD/GATT was urged to provide trade intelligence and assistance to the exporters in the least developed countries to enable them to respond more effectively to changing tastes and preferences in distant markets. The national Governments should undertake measures to disseminate the information to exporters.

(d) In the initial stages of production for export, the least developed countries would require assured markets for their products. Both developed and developing countries could assist in increasing market access.

(i) Regional co-operation, particularly in the form of according preferential and differential treatment to the least developed countries of the region by the region's developed and developing countries, could play an important role in promoting the exports of the least developed countries. The existing regional institutions and arrangements should be expanded to meet the special trade requirements of the least developed countries of the region.

(ii) Possibilities for East-South co-operation should be explored with special emphasis on the study of new forms of economic ties emerging during the process of the creation of market-oriented economies in the USSR and other countries of Eastern Europe. Adequate attention should be given to the facilitation of dissemination of information on business possibilities in both the countries of Eastern Europe and the least developed countries of the ESCAP region, especially with regard to the promotion of the exports of the least developed countries to East European markets.

(iii) The Asian economies, particularly the newly industrializing economies and some members of ASEAN (Association of South-East Asian Nations), had achieved extraordinary success in increasing their share of world trade, diversifying their export base and developing complementarities among themselves. A rapidly changing international division of labour, based on changing real wage costs and skill requirements, could also benefit the least developed countries, especially through increased foreign direct investment from Japan and the newly industrializing economies.

/(iv)

(iv) Developed and developing countries urgently needed to reduce tariff and non-tariff barriers facing exports from the least developed countries. Those countries would benefit from, inter alia, duty-free access to the markets of developed countries under improved generalized system of preferences (GSP) schemes. Urgent action should be taken toward speedy implementation in favour of the least developed countries of all most-favoured-nation concessions made by the negotiating partners of the Uruguay Round.

2. Increasing transfer of resources

49. As pointed out in paragraph 40(c) above, the global environment for capital inflows to the least developed countries had deteriorated considerably. Therefore, urgent measures were needed to increase the transfer of resources to the least developed countries. In particular, the following recommendations were made:

(a) At the very least, the Substantial New Programme of Action target on official development assistance should be reaffirmed and attempts made by all developed countries to reach the target by the middle of the new decade.

(b) The multilateral institutions should be enabled to provide greater assistance to the least developed countries. The least developed countries, as defined by the United Nations General Assembly, should be recognized by the multilateral institutions for eligibility to be given special treatment in receiving assistance.

(c) In addition to increasing the quantum of official development assistance in real terms, the modalities of such flows would have to be improved to enhance their effectiveness and concessionality to reduce the debt burden of the least developed countries.

(d) Foreign direct investment should play a more significant role in the least developed countries. The catalytic role of official development assistance flows for infrastructural development in increasing the absorptive capacity of the least developed countries should also be recognized. At the same time, the least developed countries should provide increased incentives to attract foreign direct investment. In that context, developed and more advanced countries in the region with large current account surpluses had a special role to play in facilitating capital flows to the least developed countries, especially those of the ESCAP region.

/(e)

(e) It was highly desirable that trans-national corporations should support the efforts of the least developed countries to meet their basic needs and pursue the basic goals of economic growth.

(f) In regard to official development assistance debt, it was important that UNCTAD Trade and Development Board resolution 165 (S-IX) of 11 March 1978 on debt and development problems of developing countries should be implemented fully as soon as possible. Measures, including interest subsidy schemes and other new instruments to alleviate the burden of debt service obligations to the multilateral institutions, needed to be adopted. In that connection, it was pointed out that options and measures worked out at the Toronto Economic Summit in June 1988 and subsequent Paris Club provisions of debt relief should be extended to all the least developed countries to cover their growing debt to multilateral institutions.

D. Environment and geograpical constraints

1. Environment

50. Environmental sustainability had emerged as an essential element of the development consensus for the 1990s. For the least developed countries, that added a new constraint to their development efforts. Their natural resource base was generally poor while rapid population growth in most countries and persistent poverty had made their environment even more fragile. However, it is necessary to pay attention and seek solutions to the environmental issues in conjunction with the challenges posed by population growth and poverty. In that regard, a number of wide-ranging measures needed to be undertaken:

(a) Immediate steps should be taken to develop a comprehensive national programme involving the protection, regeneration and management of the natural environment along with urgent steps to moderate population growth.

(b) Income-generating and poverty-focused programmes, with women playing a key role, were needed to protect and manage the natural environment, as they played a major role in activities affecting the environment.

(c) New legislation would be required to implement sustainable management of forest resources, impose ceilings on deforestation, establish protected areas, prohibit selectively polluting activities, and introduce a system of penalty and reward for damaging or protecting the environment.

/(d)

(d) Compensatory international assistance to minimize environmental damage would be required to assist affected countries.

2. Geographical constaints

51. Of the 11 least developed countries of the region, 9 were either land-locked or island economies, greatly hampering their efforts towards economic and social development. The following measures were recommended in order to reduce their isolation and increase the prospects for integrating them more closely with the international economy:

(a) In order to reduce the disadvantages associated with remoteness in the case of Pacific least developed countries, particularly for Kiribati and Tuvalu, adequate sea and air transport links, with both the main metropolitan markets and neighbouring island countries, needed to be developed through a co-ordinated programme, supported by national, regional and international measures. The Meeting recognized the difficult nature of the problem, and that effective solutions might well depend on the development of new and cost-effective technologies.

(b) The adoption of suitable measures to facilitate greater movement of goods and people through transit facilities, could greatly reduce the relative isolation of land-locked countries. The improvement of the physical infrastructure, in particular transport and communications, was vital for the movement of goods and services within the country as well as the expansion and development of the foreign trade sector. In order to alleviate the geographical handicap, the land-locked countries and their transit neighbours, in co-operation with each other, should make concerted efforts to simplify transit procedures and to improve international trade links in the 1990s, taking into account the needs and means of the land-locked least developed countries. In that connection, national, regional and international support measures were called for in developing additional road, railway and air links with the outside world and for the movement of goods and services within the country.

E. Arrangements for review and monitoring

52. The Meeting recognized the need for sustained, co-ordinated and effective follow-up and monitoring of the plan of action for the 1990s at the national, regional and international levels. In that regard it emphasized that the existing arrangements, in particular the UNDP round-table meetings and the World Bank consultative groups, should be further

/improved

improved and strengthened in order to, among other things, organize meetings for the pledging of international assistance to the least developed countries in achieving their national goals and priorities.

53. At the national level, the least developed countries should undertake review of the performance in various fields and at suitable intervals for the implementation of the plan of action for the 1990s. In that regard, the international community should provide necessary support to the least developed countries in their efforts.

54. The Meeting recommended that a clear link needed to be established between the national and global monitoring mechanisms in order to maintain consistency in the implementation of the new plan of action. If necessary, a standard set of criteria and indicators might be evolved for that purpose.

55. While UNCTAD would be responsible for the review, follow-up and monitoring of the plan of action for the 1990s at the global level, the Meeting recommended that the regional commissions should have similar responsibility at the regional level. In particular, it recommended that the Least Developed Countries Section of the ESCAP secretariat should be appropriately strengthened within available resources to enable it to carry out that process effectively in view of the large number and diversified nature of the least developed countries in the ESCAP region. The Meeting also stressed the importance of active participation of other organs in the United Nations system in that process.

IV. ADOPTION OF THE REPORT

56. The Meeting adopted its report on 23 February 1990. It suggested the secretariat to forward the report to the UNCTAD secretariat in accordance with Commission resolution 271 (XLIV).

. . . . .